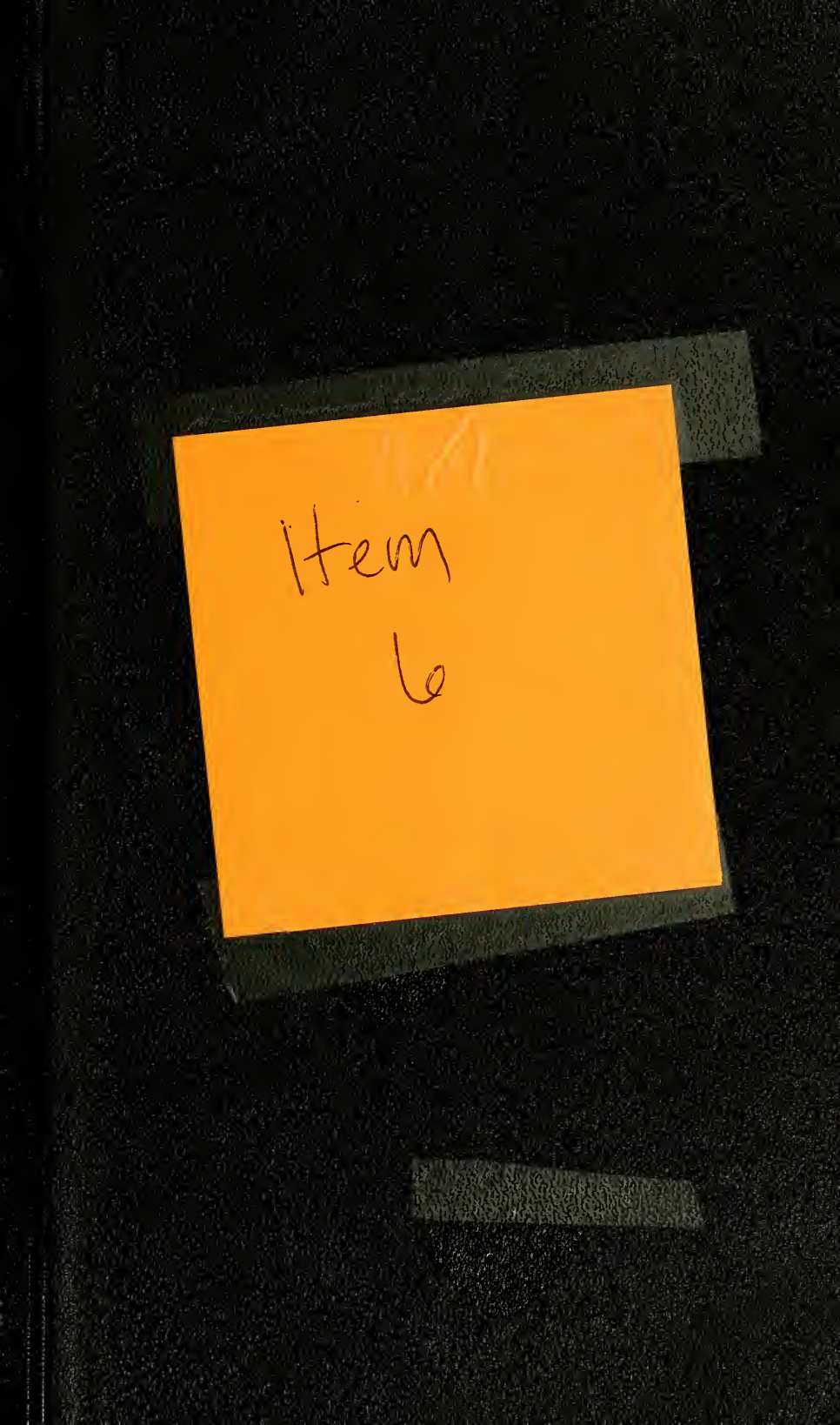
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PART 12

CORPORATION TAX DATA

PREPARED BY THE

STAFFS OF THE TREASURY AND THE
JOINT COMMITTEE ON INTERNAL
REVENUE TAXATION

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TABLE 1.—*Corporation income tax rates and exemptions, 1913–50*

	Taxes in effect Dec. 31, 1913	Act of Oct. 22, 1914	Revenue Act of 1916 (Sept. 8, 1916)	Act of Mar. 3, 1917	Revenue Act of 1917 (Oct. 3, 1917)	Revenue Act of 1918 (Feb. 24, 1919)	Revenue Act of 1921	Revenue Act of 1924	Revenue Act of 1926
Tax rates	1%	No change	2%	No change	6%	12% for calendar year 1918. 10% for calendar years 1919–20.	10% for calendar year 1921. 12½% for calendar years 1922–23.	12½% for calendar year 1924.	13% for calendar year 1925. 13½% for calendar years 1926–27.

	Revenue Act of—							
	1928	1932	1934	1935	1936	1937	1938	1939
Normal tax rate:								
First $2,000 of net income	12% [1]	13¾% [2]	No change	12½% [3]	8% [4]	No change	Net income of $25,000 or less: 1st $5,000 of special class net income 12½%. Next $15,000 of special class net income 14%. Over $20,000 of special class net income 16%. Net income over $25,000: [6] 19% of adjusted net income less:[7] (a) 16½% of dividends received credit; and (b) 2½% of dividends paid credit, but not in excess of 2½% of adjusted net income. [8] (Above corporation taxes shall not apply to any taxable year beginning after December 31, 1939.)	Normal-tax net income of $25,000 or less: 1st $5,000 of normal-tax net income 12½%. Next $15,000 of normal-tax net income 14%. Over $20,000 of normal-tax net income 16%. Normal-tax net income over $25,000: [5] [6] 18% of normal-tax net income.
Next $13,000 of net income	12% [1]	13¾% [2]	No change	13% [3]	11% [4]	No change		
Next $25,000 of net income	12% [1]	13¾% [2]	No change	14% [3]	13% [4]	No change		
Over $40,000 of net income	12% [1]	13¾% [2]	No change	15% [3]	15% [4]	No change		
Surtax on undistributed profits: [4]								
Undistributed net income equal to:								
1st 10% of adjusted net income [7]					7%	No change		
Next 10% of adjusted net income					12%	No change		
Next 20% of adjusted net income					17%	No change		
Next 20% of adjusted net income					22%	No change		
Over 60% of adjusted net income					27%	No change		

See footnotes at end of table, p. 4.

TABLE 1.—*Corporation income tax rates and exemptions, 1913–50*—Continued

	Revenue Act of—					
	1940	1941	1942	1943	1945	1950
Normal tax	Normal tax net income, in total amount: [9] $25,000 or less: First $5,000—14.85%. Next $15,000—16.5%. Next $5,000—18.7%. Over $25,000 and not over $31,964.30: [10] First $25,000—14.85%. Next $6,964.30—38.3%. Over $31,964.30 and not over $38,565.89: [10] First $5,000—15.4%. Next $15,000—16.9%. Next $5,000—18.9%. Next $13,565.89—36.9%. Over $38,565.89—24% of entire normal tax net income.	Normal tax net income, in total amount: $25,000 or less: First $5,000—15%. Next $15,000—17%. Next $5,000—19%. Over $25,000 and not over $38,461.54: [10] First $25,000—$4,250. Next $13,461.54—37%. Over $38,461.54—24% of entire normal tax net income.	Normal tax net income, in total amount: $25,000 or less: No change. Over $25,000 and not over $50,000: [10] First $25,000—$4,250. Next $25,000—31%. Over $50,000—24% of entire normal tax net income.	No change	No change	25% of entire normal tax net income for taxable years beginning after June 30, 1950: 23%, for calendar year 1950.[11]
Surtax	None	First $25,000—6% Over $25,0007—%	Surtax net income, in total amount: Not over $50,000: First $25,000—10%. Next $25,000—22%. Over $50,000—16% of entire surtax net income.	No change	Surtax net income, in total amount: Not over $50,000: First $25,000—6%. Next $25,000—22%. Over $50,000—14% of entire surtax net income.	19% of surtax net income in excess of $25,000 for calendar year 1950; for other taxable years beginning before July 1, 1950, and ending after June 30, 1950, the tax is computed under prior law rates on income allocated to the period prior to July 1, 1950, and at 20% on income allocated to the period after June 30, 1950; for taxable years beginning after June 30, 1950, the 20% rate provided

Consolidated returns	Allowed only for railroads, etc., wholly owned foreign railroad operating subsidiaries organized to comply with the laws of Canada or Mexico, and Pan-American trade corporations for income tax. Permitted for substantially all corporations with respect to excess profits tax. No additional tax.	No change	Allowed for income and excess profits tax (both or none) for substantially all corporations. Additional 2% surtax imposed for privilege.	No change	No change	by the Revenue Act of 1950 was raised to 22% by the Excess Profits Tax Act of 1950. No change.

	Taxes in effect Dec. 31, 1913	Act of Oct. 22, 1914	Revenue Act of 1916 (Sept. 8, 1916)	Act of Mar. 3, 1917	Revenue Act of 1917 (Oct. 3, 1917)	Revenue Act of 1918 (Feb. 24, 1919)	Revenue Act of 1921	Revenue Act of 1924	Revenue Act of 1926
Specific exemption [12]						$2,000	$2,000 [13]	No change	No change.
Dividend exemption					[14]	100%	No change	No change	No change.

	Revenue Act of—								
	1928	1932	1934	1935	1936	1937	1938	1939	1940
Specific exemption	$3,000 [15]	Inapplicable after Dec. 31, 1931.							
Dividend exemption	100%	No change	No change	90% [16]	85%	No change	No change [17]	No change	No change.

See footnotes at end of table, p. 4.

TABLE 1.—*Corporation income tax rates and exemptions, 1913–50*—Continued

	Revenue Act of—				
	1941	1942	1943	1945	1950
Specific exemption					
Dividend exemption (dividend received credit)	No change	85% [18]	No change	No change	85% (59% in the case of dividends received on certain preferred stock of public utilities).[19]

[1] Rate for 1929 reduced to 11%.

[2] The rate of tax on consolidated returns for 1932 and 1933 was 14½%, and for 1934 and 1935, 15½%, except that in 1934 corporations with fiscal year returns were taxed 14¾% on their income attributable to 1934. Under the Revenue Acts of 1934 through 1938 only railroad corporations were permitted to file consolidated returns. The Revenue Act of 1939 extended the privilege to file consolidated returns to Pan-American trade corporations.

[3] Superseded by the Revenue Act of 1936 before it became effective.

[4] Corporations exempt from surtax on undistributed profits (Revenue Acts of 1936 and 1937)—Banks (normal tax 15%, section 104); corporations in bankruptcy or receivership; insurance companies (normal tax 15%, sections 201, 204, or 207); foreign corporations—resident (normal tax 22%), nonresident (normal tax 15% but on dividends 10% except corporations from contiguous countries, rate as provided by treaty but not less than 5%); corporations deriving a large portion of their gross income from sources within a possession of the United States (normal tax 15%, section 251 (c)); corporations organized under the China Trade Act, 1922 (normal tax 15%, section 261); joint stock land banks organized under the Federal Farm Loan Act, as amended.

[5] For taxable years beginning after December 31, 1939, and before January 1, 1945, all corporations, including the special classes of corporations, personal holding companies and corporations improperly accumulating surplus, are subject to a defense tax of 10% of the total taxes computed at the above rates.

[6] For corporations with net income slightly over $25,000, the tax may be computed under alternative tax methods provided in section 13 (d) of Revenue Act of 1938, section 13 (d) I. R. C., section 201 of Revenue Act of 1939, section 3 of Revenue Act of 1940, respectively, provided that the tax so computed is less than the tax would otherwise be. Under the 1939 act the alternative tax is $3,525 plus 32% of the normal-tax net income in excess of $25,000. Under the 1940 act, the total alternative tax is $3,775 plus 33% of the normal-tax net income in excess of $25,000, and plus a defense tax equal to 10% of the alternative tax.

[7] "Adjusted net income" as defined in the Revenue Act of 1936, is the net income minus the normal tax and interest received on certain obligations of the United States and Government corporations; under the 1938 act "adjusted net income" is net income minus the interest on certain obligations of the United States and Government corporations.

[8] In the case of corporations in bankruptcy and receivership, joint stock land banks, and rental housing corporations, the tax shall be reduced by 2½% of the adjusted net income instead of 2½% of the dividends paid credit.

[9] Including defense tax.

[10] Notch provision.

[11] For taxable years beginning before July 1, 1950, and ending after June 30, 1950 (except calendar year 1950 returns), the tax is computed under prior law rates on income allocated to the period prior to July 1, 1950, and under the rates applicable to taxable years beginning after June 30, 1950, on income allocated to the period after June 30, 1950.

[12] Allowed to domestic corporations only.

[13] Allowed only to corporations with net incomes of $25,000 or less, but if the net income is more than $25,000 the tax shall not exceed the tax which would be payable if the $2,000 credit were allowed, plus the amount of the net income in excess of $25,000.

[14] Intercorporate dividends were fully taxable under the acts of 1913 to 1916, but were fully exempt under the Revenue Act of 1918. The Revenue Act of 1917 provided the transition in the tax treatment of intercorporate dividends by the imposition of three different rates as follows: 1% applicable to dividends from earnings of 1913, 1914, and 1915; 2% applicable to dividends from earnings of 1916 and 1917 and to other corporate income; and 4% applicable to corporate income, exclusive of all intercorporate dividends.

[15] Allowable to domestic corporations with net income of $25,000 or less, but if the net income is more than $25,000, the tax shall not exceed the tax which would be payable if the $3,000 credit were allowed, plus the amount of the net income in excess of $25,000.

[16] Superseded by the Revenue Act of 1936 before it became effective.

[17] But not in excess of 85% of the adjusted net income.

[18] But not in excess of 85% of adjusted net income after deduction of income subject to excess profits tax.

[19] The total credit allowed for dividends received is limited to an amount equal to 85% of net income, minus the credit for interest received on certain obligations of the United States, computed without regard to the net operating loss deduction. In the case of dividends received in property other than money, the credit is limited to an amount not greater than 85% of the adjusted basis of the property in the hands of the distributing corporation. For the calendar year 1950, the credit in the case of dividends received on certain preferred stock of public utilities is 57%.

TABLE 2.—*Corporate income and excess profits tax collections compared with total internal revenue, fiscal years 1939–52*

[Dollar amounts in millions]

Fiscal year	Total internal revenue collections	Corporate income tax collections	Corporate excess profits tax collections [1]	Corporate income and excess profits tax collections [1]	Corporate income and excess profits tax collections as percent of total internal revenue		
					Corporate income tax	Excess profits tax	Corporate income and excess profits tax
1939	$5,162	$1,123	$34	$1,156	21.8	0.7	22.4
1940	5,323	1,121	27	1,148	21.1	.5	21.6
1941	7,352	1,852	201	2,053	25.2	2.7	27.9
1942	13,030	3,069	1,675	4,744	23.6	12.9	36.4
1943	22,369	4,521	5,148	9,669	20.2	23.0	43.2
1944	40,120	5,284	9,483	14,767	13.2	23.6	36.8
1945	43,800	4,880	11,147	16,027	11.1	25.4	36.6
1946	40,672	4,640	7,914	12,554	11.4	19.5	30.9
1947	39,108	6,055	3,622	9,677	15.5	9.3	24.7
1948	41,865	9,852	323	10,174	23.5	.8	24.3
1949	40,463	11,343	211	11,554	28.0	.5	28.6
1950	38,957	10,769	95	10,854	27.6	.2	27.9
1951 [2]	50,463	13,468	732	14,200	26.7	1.4	28.1
1952 [2]	63,020	18,825	2,675	21,500	29.9	4.2	34.1

[1] Includes declared value excess profits tax and unjust enrichment tax.
[2] Under present law rates; estimates by the Treasury Department.

NOTE.—Detail will not necessarily add to totals due to rounding.

TABLE 3.—*Corporation returns with net income and no net income: Number of returns, net income, and deficit, 1929–47*

[Money figures in billions; number of returns in thousands]

Income year	Returns with net income [1]		Returns with no net income [1]		Returns of inactive corporations	All returns	
	Number	Net income	Number	Deficit		Number	Net income or deficit (−)
1929	269	$11.7	187	$2.9	53	509	$8.8
1930	221	6.4	242	4.9	56	520	1.5
1931	176	3.7	284	7.0	57	517	−3.3
1932	83	2.2	369	7.8	57	509	−5.6
1933	110	3.0	337	5.5	57	504	−2.5
1934	145	4.3	325	4.2	59	529	.1
1935	164	5.2	313	3.5	57	534	1.7
1936	203	9.5	276	2.2	52	531	7.3
1937	192	9.6	286	2.3	51	529	7.3
1938	170	6.5	301	2.9	49	520	3.6
1939	199	8.8	270	2.1	46	515	6.7
1940	221	11.2	252	2.3	44	517	8.9
1941	265	18.1	204	1.8	40	509	16.3
1942 [2]	270	24.1	173	1.0	37	480	23.1
1943 [2]	284	28.7	137	.9	35	456	27.8
1944 [2]	289	27.1	124	.8	34	447	26.3
1945	303	22.2	118	1.0	33	454	21.2
1946	359	27.2	132	2.0	35	526	25.2
1947	383	33.4	169	2.0	36	588	31.4

[1] Net income or deficit for 1929–32 is the net income for current year (before deduction of prior year loss); for 1933–35, net income subject to income tax; for 1936–39, net income for declared-value excess-profits tax computation (except that for 1936 the classification of returns with net income and no net income is based on net income for income tax computation). For 1940–43, net income or deficit is the amount reported for declared-value excess-profits tax computation, adjusted by excluding net operating loss deduction; for 1944–45, it is the amount reported for declared-value excess-profits tax computation, adjusted by excluding net operating loss deduction and adding Government interest subject to surtax only and excess of net long-term capital gain over net short-term capital loss. For 1946 and 1947, it is the difference between the total income and total deductions, adjusted by excluding net operating loss deduction.

[2] For the years 1942–44, net income shown is unadjusted for changes which resulted from the renegotiation of war contracts after the returns were filed. As a result of such adjustments, the net income for some returns was subsequently reduced in the following total amounts: 1942, $1,782,613,000; 1943, $2,892,532,000 1944, $1,478,113,000; 1945, $521,820,000.

Source: Statistics of Income for 1945, pt. 2; Statistics of Income for 1946, pt. 2, preliminary, Apr. 21, 1949; Statistics of Income for 1947, pt. 2, preliminary, Sept. 22, 1950.

TABLE 4.—*Corporate profits before and after taxes, dividends, and undistributed profits: Annual data for 1929, 1932, 1939–50; and quarterly data for 1948 through first quarter of 1951*

[In billions of dollars]

Year or quarter	Corporate profits before taxes	Taxes	Corporate profits after taxes	Dividends	Undistributed profits
1929	9.8	1.4	8.4	5.8	2.6
1932	−3.0	.4	−3.4	2.6	−6.0
1939	6.5	1.5	5.0	3.8	1.2
1940	9.3	2.9	6.4	4.0	2.4
1941	17.2	7.8	9.4	4.5	4.9
1942	21.1	11.7	9.4	4.3	5.1
1943	25.1	14.4	10.6	4.5	6.2
1944	24.3	13.5	10.8	4.7	6.1
1945	19.7	11.2	8.5	4.7	3.8
1946	23.5	9.6	13.9	5.8	8.1
1947	30.5	11.9	18.5	6.6	12.0
1948	33.9	13.0	20.9	7.5	13.4
1949	27.6	10.6	17.0	7.8	9.2
1950 [1]	40.0	17.9	22.1	9.4	12.8
	Annual rates, seasonally adjusted				
1948					
First quarter	32.5	12.4	20.1	7.2	12.9
Second quarter	34.6	13.2	21.4	7.3	14.1
Third quarter	35.3	13.4	21.9	7.5	14.4
Fourth quarter	33.1	12.9	20.3	7.9	12.4
1949					
First quarter	28.3	10.9	17.4	7.9	9.5
Second quarter	26.4	10.0	16.4	7.7	8.7
Third quarter	28.2	10.8	17.3	7.4	10.0
Fourth quarter	27.6	10.6	16.9	8.2	8.7
1950					
First quarter	29.2	13.2	16.0	8.1	7.9
Second quarter	37.4	16.5	20.9	8.2	12.7
Third quarter	46.4	20.6	25.8	9.3	16.5
Fourth quarter [1]	47.0	21.2	25.8	11.5	14.3
1951					
First quarter [1]	48.0	21.3	26.7	8.8	17.9

[1] Estimated by the Council of Economic Advisers.

Source: Department of Commerce.

TABLE 5.—*Reconciliation of Department of Commerce estimates of corporate profits with Bureau of Internal Revenue tabulations*

[In millions of dollars]

	1940 (actual)	1947 (actual)	1950 (estimated)
Profits before taxes, Department of Commerce	9,325	30,489	[1] 40,000
Less:			
State income taxes	199	604	[2]
Depletion allowances	475	1,210	[2]
Net capital loss	703	0	[2]
Net loss, sales of property other than capital assets	336	325	[2]
Profits of Federal Reserve banks and Federal Reserve Board	14	93	[2]
Profits disclosed by audit	571	1,350	[2]
"Rest of the world" industry	137	213	[2]
Plus:			
Net capital gain	188	925	[2]
Net gain, sales of assets other than capital assets	178	323	[2]
Domestic dividends received	2,021	1,882	[2]
Foreign dividends received	245	341	[2]
Profits of mutual life insurance companies	−57	1,309	[2]
Profits of mutual non-life-insurance companies	−131	21	[2]
Foreign income tax on branch profits	14	120	[2]
Compiled net profit, Bureau of Internal Revenue [3]	9,348	31,615	39,500
Less:			
Special credit of life insurance companies [4]	0	1,325	1,550
Net operating loss deduction	123	184	300
Net income	9,225	30,106	37,650
Less:			
Tax-exempt interest [5]	783	446	350
Dividends received	2,021	1,882	2,600
Net income, excluding dividends received and tax-exempt interest	6,421	27,778	34,700

[1] Estimated by Council of Economic Advisers.

[2] Not available.

[3] Compiled net profit or loss as defined in Statistics of Income, equals compiled receipts, which include dividends received and tax-exempt interest, minus compiled deductions, which exclude net operating loss deduction, and special credit of life insurance companies provided in the Revenue Act of 1942 (as amended by the Revenue Act of 1950).

[4] Reserve and other policy liability credit, net after the offset for interest on non-life-insurance reserves, as provided in the Revenue Act of 1942 (as amended by the Revenue Act of 1950).

[5] Includes both partially and wholly tax-exempt interest.

Sources: Statistics of Income for 1940, pt. 2; Statistics of Income for 1947, pt. 2, Preliminary, Sept. 22, 1950; Survey of Current Business, National Income Number, July 1947 and July 1950.

TABLE 6.—*Corporation income tax liabilities, 1946–49, present law, and rates proposed by the Secretary of the Treasury*

[For liabilities under the alternatives suggested by the staff of the Joint Committee on Internal Revenue Taxation, see pt. 13]

Net income	Income tax liabilities			Effective income tax rates		
	1946–49	Present law [1] [2]	Proposed rates [1] [3]	1946–49	Present law	Proposed rates
				Percent	*Percent*	*Percent*
$5,000	$1,050	$1,250	$1,650	21.00	25.00	33.00
$10,000	2,200	2,500	3,300	22.00	25.00	33.00
$25,000	5,750	6,250	8,250	23.00	25.00	33.00
$30,000	8,400	8,600	11,000	28.00	28.67	36.67
$40,000	13,700	13,300	16,500	34.25	33.25	41.25
$50,000	19,000	18,000	22,000	38.00	36.00	44.00
$60,000	22,800	22,700	27,500	38.00	37.83	45.83
$75,000	28,500	29,750	35,750	38.00	39.67	47.67
$100,000	38,000	41,500	49,500	38.00	41.50	49.50
$200,000	76,000	88,500	104,500	38.00	44.25	52.25
$500,000	190,000	229,500	269,500	38.00	45.90	53.90
$1,000,000	380,000	464,500	544,500	38.00	46.45	54.45
$10,000,000	3,800,000	4,694,500	5,494,500	38.00	46.95	54.95
$100,000,000	38,000,000	46,994,500	54,994,500	38.00	46.99	54.99

[1] Does not include 30-percent tax on excess profits.
[2] Normal tax, 25 percent on all income; surtax, 22 percent on income over $25,000.
[3] Normal tax, 33 percent on all income; surtax, 22 percent on income over $25,000.

TABLE 7.— *Effective rates of total income and excess-profits taxes under present law and under rates proposed by the Secretary of the Treasury for corporations with current incomes of $100,000, $1,000,000, and $10 000.000*

Current income as a percent of base period	Current income					
	$100,000		$1,000,000		$10,000,000	
	Present law [1]	Proposed rates [2]	Present law [1]	Proposed rates [2]	Present law [1]	Proposed rates [2]
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
70 percent	41.5	49.5	46.5	54.5	46.9	54.9
80 percent	41.5	49.5	46.5	54.5	46.9	54.9
85 percent	41.5	49.5	46.5	54.5	46.9	54.9
90 percent	43.2	51.2	48.1	56.1	48.6	56.6
100 percent	46.0	54.0	51.0	59.0	51.4	59.4
110 percent	48.3	56.3	53.3	61.3	53.8	61.8
120 percent	50.3	58.3	55.2	63.2	55.7	63.7
130 percent	51.9	59.9	56.8	64.8	57.3	65.3
140 percent	53.3	61.3	58.2	66.2	58.7	66.7
150 percent	54.5	62.5	59.5	67.5	59.9	67.9
160 percent	55.6	63.6	60.5	68.5	61.0	69.0
170 percent	56.5	64.5	61.5	69.5	61.9	69.9
170.63 percent	56.6	64.6	61.5	69.5	62.0	70.0
176.5 percent	57.1	65.1	62.0	70.0	62.0	70.0
180 percent	57.3	65.3	62.0	70.0	62.0	70.0
190 percent	58.1	66.1	62.0	70.0	62.0	70.0
200 percent	58.8	66.8	62.0	70.0	62.0	70.0
268.4 percent	62.0	70.0	62.0	70.0	62.0	70.0

[1] Normal tax, 25 percent on all income; surtax, 22 percent on income above $25,000; excess-profits tax, 30 percent on income in excess of 85 percent of average base-period income; maximum effective rate limitation, 62 percent of all income.
[2] Normal tax, 33 percent on all income; surtax, 22 percent on income above $25,000; excess-profits tax, 30 percent on income in excess of 85 percent of average base-period income; maximum effective rate limitation, 70 percent of all income.

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